

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

COMPETITIVE PRODUCT PRICES
PRIORITY MAIL CONTRACT 199 (MC2016-100)
NEGOTIATED SERVICE AGREEMENT

Docket No. CP2016-128

**USPS NOTICE OF CHANGE IN PRICES PURSUANT TO
AMENDMENT TO PRIORITY MAIL CONTRACT 199**
(October 31, 2017)

The Postal Service hereby provides notice that prices under Priority Mail Contract 199, in the above-captioned proceeding, have changed as contemplated by the contract's terms. A redacted version of the amendment to Priority Mail Contract 199 is provided in Attachment A, and the unredacted amendment is being filed under seal. The amendment will become effective two business days after the day that the Commission completes its review of this filing.

The Postal Service is also filing supporting financial documentation and a certified statement as required by 39 C.F.R. § 3015.5. The certified statement required by 39 C.F.R. § 3015.5(c)(2) is provided in Attachment B. A redacted version of the supporting financial documentation is included with this filing as a separate Excel file. The Postal Service's original application for non-public treatment in this docket is hereby incorporated by reference for the protection of these materials.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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October 31, 2017

ATTACHMENT A

REDACTED AMENDMENT TO PRIORITY MAIL CONTRACT 199

AMENDMENT #1
OF
SHIPPING SERVICES CONTRACT
BETWEEN
THE UNITED STATES POSTAL SERVICE
AND
[REDACTED]
REGARDING
PRIORITY MAIL SERVICE

WHEREAS, the United States Postal Service (“the Postal Service”) and [REDACTED] (“Customer”) entered into a Shipping Services Contract regarding Priority Mail Service, PM Contract 199/Docket No. CP2016-128, on March 10, 2016.

WHEREAS, the Parties desire to amend the terms and tables in Sections I.B, I.C, I.E, I.F, and I.G, and the second paragraph of Section III of the Contract and add new Sections I.H and I.I.

NOW, THEREFORE, the Parties agree that the contract is hereby amended as detailed below. The existing contract remains unchanged in all other respects. This amendment shall become effective two (2) business days following the day on which the Commission issues all necessary regulatory approval.

[Replace Sections I.B, I.C, I.E, I.F, and I.G in their entirety, as follows.]

I. Terms

- B. This Contract applies to Customer’s outbound and inbound Priority Mail packages [REDACTED]
[REDACTED] Priority Mail Regional Rate Boxes [REDACTED]
[REDACTED] Priority Mail Flat Rate Envelopes and Priority Mail Flat Rate Boxes
(collectively, “Contract Packages”).
- C. Customer will manifest Contract Packages as specified by the Postal Service, using a separate permit number and/or PC Postage account to ship such packages, and will use the Electronic Verification System (eVS), other USPS approved manifest systems, or USPS approved PC Postage vendors for payment of such packages. Customer shall provide the Postal Service, in writing, a list of its permit numbers and/or PC Postage accounts for approval. Contract pricing for any newly approved permits and/or PC Postage accounts will be effective within fifteen (15) business days after the Postal Service receives written notification from Customer. Only Contract Packages plus all other Priority Mail packages (“Total Packages”) shipped from authorized permits and/or PC Postage accounts shall count toward the volume commitment expressed in Sections I.E.2 (with Table 2) and I.F below.

E. The terms and prices contained herein will take effect on the effective date of this amendment. The Contract Quarters are defined as:

1. Contract Quarters. "Quarter(s)" or "Contract Quarter(s)", refer to the periods as follow in Table 1.

Table 1

Period Name	Start of Period	End of Period
Quarter 1	April 1 st	June 30 th
Quarter 2	July 1 st	September 30 th
Quarter 3	October 1 st	December 31 st
Quarter 4	January 1 st	March 31 st

2. Tier threshold. As outlined in Table 2, the following quarterly average volumes must be met in order to achieve the applicable Priority Mail rates in Section I.G.

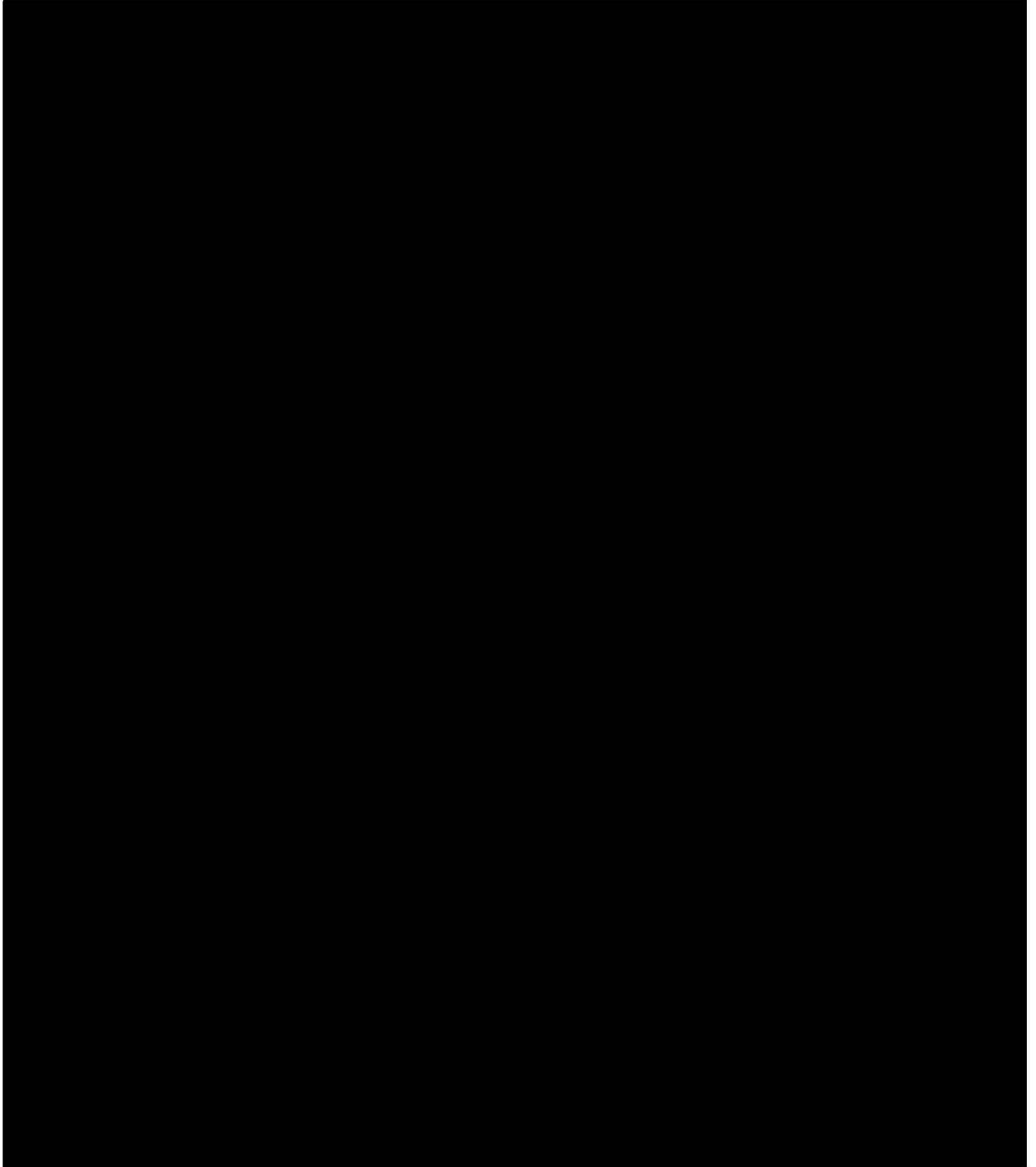


- F. From the effective date of the amendment until December 31, 2017, Customer will pay Tier 2 prices for Contract Packages, pursuant to Table 6 below. Beginning January 1, 2018, subsequent tier pricing will be determined by the minimum quarterly average of Total Packages shipped during the previous four (4) quarters. The quarterly average will be calculated by dividing the number of Total Packages shipped during the previous four (4) quarters by four (4). At the conclusion of each quarter, the Postal Service will calculate the quarterly average and apply the appropriate rate table within fifteen (15) calendar days of the conclusion of that quarter. Table 3 below illustrates the method in determining tier level and corresponding prices.

Table 3

Contract Year (CY) 2	Tier Determination
Quarter 2	Tier 2
Quarter 3	Tier 2
Quarter 4	Total Mail packages Shipped (CY1 Q4 + CY2 Q's 1,2&3) ÷ 4
Contract Year (CY) 3	Tier Determination
Quarter 1	Total Mail packages Shipped (CY2 Q's 1,2,3&4) ÷ 4
Quarter 2	Total Mail packages Shipped (CY2 Q's 2,3&4 + CY3 Q1) ÷ 4
Quarter 3	Total Mail packages Shipped (CY2 Q's 3&4 + CY3 Q's 1&2) ÷ 4
Quarter 4	Total Mail packages Shipped (CY2 Q4 + CY3 Q's 1,2&3) ÷ 4

G. Custom Priority Mail Pricing Tables





[Add new Sections I.H and I.I as follows.]

H. Annual Adjustment

1. For subsequent years of the Contract, beginning on the second anniversary of the contract's effective date, customized Tier 1 and Tier 2 prices under this Contract will be the lesser of: (a) the previous year's prices plus the most recent (as of the anniversary date) percentage change in prices of general applicability for Priority Mail Commercial Plus, as calculated by the Postal Service, or (b) the previous year's prices plus [REDACTED]
 2. Customized Tier 1 and Tier 2 prices for the subsequent years will be calculated by the Postal Service and rounded up to the nearest whole cent. If the Postal Service maintains or decreases published prices of general applicability for Priority Mail Commercial Plus, there shall be no change to Tier 1 and Tier 2 prices for that Contract Year.
 3. For the duration of this Contract, Tier 0 prices will be equal to the prevailing Priority Mail Commercial Plus published prices.
- I. Quarterly Business Reviews. The Parties shall, within fifteen (15) calendar days after the conclusion of each full Calendar Quarter in each Contract Year, jointly conduct a business review of Customer's performance expectations under this Contract either in person, by telecom or by webinar. If either Party is unable to conduct a business review within fifteen (15) calendar days after the conclusion of the above referenced Calendar Quarters, it shall notify the other Party in writing (i.e. email or mail) of that fact and propose a date as soon as practicable thereafter.

[Replace the second paragraph of Section III as follows.]

III. Expiration, Termination, and Extension

If, at the conclusion of this Contract term, both Parties agree that preparation of a successor SSC is active, the SSC will be extended for up to two (2) ninety (90) calendar day periods with official notification to the Commission at least seven (7) calendar days prior to the Contract's expiration date. Upon both Parties agreement of the extension, the escalation clause will be implemented in Section I.H, throughout the extension period.

IN WITNESS WHEREOF, the Parties hereto have caused this amendment to be duly executed as of the later date below:

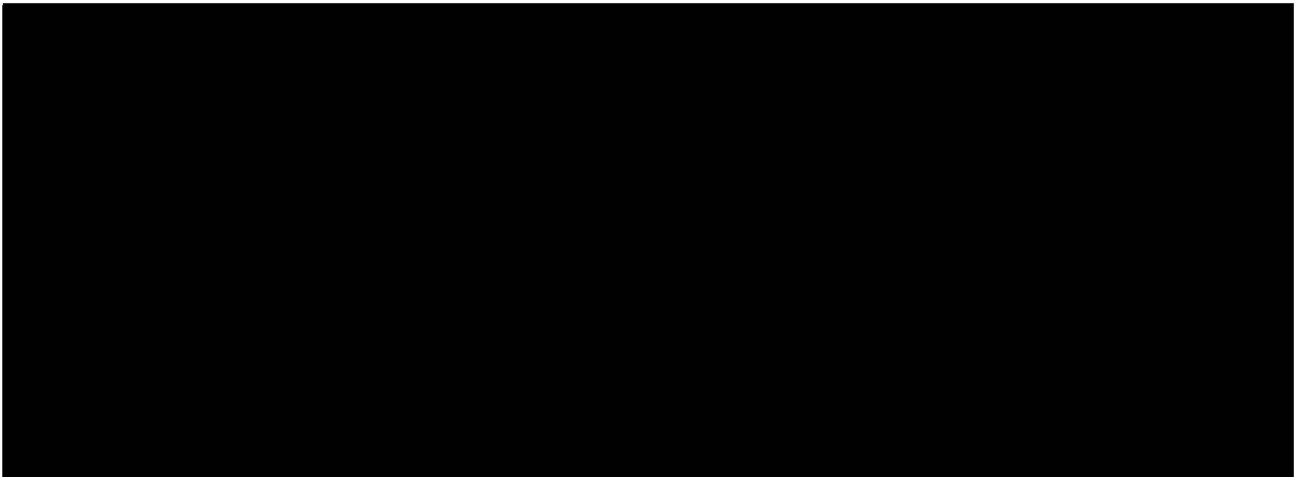
UNITED STATES POSTAL SERVICE

Signed by: B. A. Oung

Printed Name: for Cliff Rucker

Title: Senior Vice President, Sales and Customer Relations

Date: 9/6/17



ATTACHMENT B
SIGNED CERTIFICATION

Certification of Prices for Amendment to Priority Mail Contract 199

I, Steven R. Phelps, Manager, Regulatory Reporting and Cost Analysis, Finance Department, am familiar with the prices and terms for the amendment to Priority Mail Contract 199. The amended prices and terms contained in this Contract were established by the Decision of the Governors of the United States Postal Service on the Establishment of Prices and Classifications for Domestic Competitive Agreements, Inbound International Competitive Agreements, and Other Non-Published Competitive Rates (Governors' Decision No. 11-6).

I hereby certify, based on the financial analysis provided herewith, that the amended prices are in compliance with 39 U.S.C § 3633 (a)(1), (2), and (3). They are expected to cover attributable costs. There should therefore be no subsidization of competitive products by market dominant products. The amended contract should not impair the ability of competitive products on the whole to cover an appropriate share of institutional costs.

Steven Phelps

Digitally signed by Steven Phelps
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email=steven.r.phelps@usps.gov,
c=US
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Steven R. Phelps